3:Kemeny G-5 (1945-48)1953 EC1 Hungary EC1

maintained, but, as a result of reparations, the Government continued to be the greatest customer of industry. Hungary's economy, moreover, was directly affected by the growing influence of the Soviet Union, whose claim to take possession of all former German property in the country had been recognized at Potsdam. Owing to the decision taken at Potsdam, and the extremely arbitrary interpretation of the agreement by the Russian occupation authorities, Moscow obtained a foothold in Hungarian banking, insurance, Danubian navigation, and coal mining, as well as in numerous engineering, chemical, and textile enterprises. Her influence was further strengthened by an agreement to set up joint Russian-Hungarian companies. This was signed early in 1946, and, when subsequently implemented, secured to the Soviet Union a practical monopoly of air and river traffic and of aluminium production.

Private enterprise was naturally confronted with fundamentally changed political conditions. Up to 1945 the semi-feudal structure of society, with the great landlords in control and with industrial and financial interests exercising a strong influence on the course of economic policy, had not entirely vanished, though since the thirties, this influence had been undermined by the growing pressure of the demagogic petty-bourgeois supporters of fascism. As from 1945, however, with the old landowner class disappearing as an economic and political factor, there was a complete shift of the centre of gravity in politics.

Although in 1946–7 indications were not lacking as to whither the road might lead, it did not yet seem definitely decided that everything having affinity with the Western pattern of life was to be suppressed in Hungary. The country was governed by a coalition based on democratic elections. Communist influence was, of course, stronger than was justified by the numerical importance of the party, for the party enjoyed the support of the occupying Power. At the outset, however, the Communists were not altogether uncooperative. Only in the spring of 1947, when the first so-called conspiracy was discovered, did they reveal what methods they were ready to employ to reduce the role of their partners within the coalition to a sham.

Once the agrarian reform of 1945 was adopted, the Communist leaders gave repeated assurances that the private ownership of land would thenceforth be respected. The peasants spared no effort to produce maximum results, despite conditions unfavourable for regular farmwork. The industrialists also appeared ready to play their part in reconstruction, and were